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UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 8	2
	A. Origin and background of the Working Group	1 - 3	2
	B. Consideration of the report of the Working Group at the forty-ninth session of the General Assembly	4 - 8	2
II.	ACTIVITIES OF THE WORKING GROUP DURING 1995	9 - 10	3
III.	FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST	11 - 14	3
IV.	CONCLUDING REMARKS	15 - 18	5

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I. INTRODUCTION

A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group, 1/ and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year. 2/

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mr. Huseyin Celem of Turkey.

B. Consideration of the report of the Working Group at the forty-ninth session of the General Assembly

4. The report of the Working Group on its activities in 1994 (A/49/570) was considered by the General Assembly at its forty-ninth session under agenda item 77, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 3rd plenary meeting, on 23 September 1994, the General Assembly decided to include this item in its agenda and to allocate it to the Special Political and Decolonization Committee (Fourth Committee), which considered it at its 15th to 17th and 28th meetings, from 1 to 3 and on 30 November 1994.

5. At the 28th meeting of the Committee, on 30 November 1994, the representative of the Netherlands introduced a draft resolution entitled "Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East" (A/C.4/49/L.14), sponsored by Australia, Austria, Bangladesh, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Spain, Sweden, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

6. Under the terms of the draft resolution, the General Assembly would:

(a) Commend the Working Group for its efforts to assist in ensuring the Agency's financial security;

(b) Take note with approval of the report of the Working Group;

(c) Request the Working Group to continue its efforts, in cooperation with the Secretary-General and the Commissioner-General of UNRWA, for the financing of the Agency for a further period of one year;

(d) Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work.

7. At the same meeting, the Committee adopted the draft resolution without a vote.

8. At its 83rd plenary meeting, on 9 December 1994, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political and Decolonization Committee (Fourth Committee), together with other draft resolutions under this item. At the same meeting, the Assembly adopted the draft resolution without a vote as resolution 49/35 B.

II. ACTIVITIES OF THE WORKING GROUP DURING 1995

9. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 14 September and 13 October 1995, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 13 October 1995.

10. At its 113th meeting, on 14 September 1995, the Working Group heard the Comptroller of UNRWA, who submitted an up-to-date report on the financial situation of the Agency. The Working Group gave further consideration to the Comptroller's report at its 114th meeting, on 13 October 1995 (see sect. III below).

III. FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

11. By the end of 1994, the recorded financial balance of UNRWA for the year showed expenditures of $265.8 million on the Agency's regular programmes, against income from contributions of $298.2 million, leaving a book surplus of $32.4 million. Included in this surplus, however, were late contributions of $38.4 million, received and recorded in 1994 but intended for the 1993 regular programme of the Agency. If this amount is applied to the 1994 accounts, the result is a deficit of $6 million in expenditure over actual income in 1994. This shortfall reduced the Agency's working capital from $22.6 million at the beginning of 1994 to $16.6 million at the end of 1994. Separately from the activities financed under the Agency's regular budget UNRWA continued in 1994 to operate a special fund to cover emergency activities in Lebanon, the West Bank and the Gaza Strip, known as EMLOT (Extraordinary Measures in Lebanon and the Occupied Territory). Total expenditure in 1994 for those activities amounted to $13.4 million, against a total income of $7.9 million, leaving a deficit of

$5.5 million which had to be funded out of working capital. The Agency also operated three "extrabudgetary" project funds in 1994: the Expanded Programme of Assistance (EPA); the European Gaza Hospital fund and the Peace Implementation Programme (PIP). Established in 1988 with the aim of improving living conditions and the physical infrastructure in the Agency's area of operations, with special emphasis on the West Bank and the Gaza Strip, EPA was basically non-recurrent in nature, and became redundant with the establishment of PIP in 1993. The Agency began to phase out EPA as projects were completed. PIP, which was introduced in October 1993 following the signing of the Declaration of Principles on Interim Self-Government Arrangements by the Palestine Liberation Organization (PLO) and the Government of Israel, aimed to demonstrate to the refugee community throughout the region the tangible benefits of the peace process through projects to develop infrastructure, improve living conditions and generate employment. Projects under implementation that were funded under the first phase of PIP, which ended in September 1994, amounted to $85.7 million. Construction of the European Gaza Hospital was being financed largely by a contribution from the European Union.

12. With the Agency having begun 1995 with a $6 million deficit, the financial prospects for the year were not favourable. The growth of contributions was not keeping pace with the rising number of UNRWA beneficiaries and unavoidable cost increases owing to inflation. Unexpected emergency needs arising in the area of operations required additional funds. In order to reduce expenditure, UNRWA had introduced a number of austerity measures in early 1993, which were carried forward into 1994 and 1995, with a negative impact on the quality of Agency services. Additional cost-saving measures were introduced in September 1994. By the last quarter of 1995, the Agency's estimated deficit was $4 million. This figure would be $16 million if it included the $12 million reserve for salary increases for 21,000 area staff, which was frozen as a result of the deficit. However, a continuing freeze on salaries, which places UNRWA area staff at a disadvantage compared with employees in equivalent positions in the public administrations of the host countries of the refugees, is unsustainable over the longer term.

13. In meetings with major donors and other concerned government representatives in the past year, the Commissioner-General of UNRWA has once again appealed for help in finding ways to alleviate the structural deficit problem in the Agency's budget. An extraordinary initiative this year was the meeting held at Amman, in March, which was attended by representatives of major donor and host Governments, the Agency's Advisory Commission and the Palestinian Authority. Participants in the meeting expressed concern about the Agency's financial situation.

14. The past year has continued to see dramatic political developments in the area in which UNRWA operates, culminating in the signing on 28 September 1995 of an interim agreement between the Government of Israel and the PLO providing for the second phase of Israeli redeployment and the expansion of Palestinian self-rule as foreseen in the 1993 Declaration of Principles. The next phase of the peace process will involve, inter alia, negotiations on final status issues, including the refugee issue. As the Commissioner-General has pointed out, the parties to this process and the major donors to the Agency have asked UNRWA not only to maintain its existing services throughout its area of operations during

the interim period, but to play a larger role in helping to effect improvements in the social and economic spheres in which the Agency has acquired a special expertise. Donors have supported the ongoing peace process by devoting unprecedented resources to projects benefiting Palestinians, particularly in the West Bank and the Gaza Strip, as well as in the Agency's other three fields of operation. Both phases of the Peace Implementation Programme have met with a particularly generous response from donors. Significantly, the budgets for PIP projects include programme support costs, which have alleviated some of the burden on the Agency's own resources and infrastructure in undertaking ambitious projects in environmental health, income-generation, shelter-rehabilitation, and the construction of schools, health centres and other facilities. Nevertheless, some of the additional tasks that the Agency has been asked to carry out to assist the Palestinian people during this period will inevitably have financial implications. The prospect of the eventual phasing out of UNRWA, which will become more apparent as the political process unfolds, has also raised the issue of termination indemnities which will have to be paid to the Agency's area staff when the Agency begins to cease operations and hand over its functions to other authorities. Donors have agreed that the Agency should begin to include a provision for these termination indemnities in its budget. Another development with potential financial implications for UNRWA is the decision by the Secretary-General, endorsed by the General Assembly in resolution 49/35 A, that the Headquarters of the Agency should be relocated to its area of operations, mainly to the Gaza Strip. The Agency's donors have stipulated that the cost of the relocation should not in any way be financed out of the regular budget or established project resources of the Agency. To date, however, contributions to the special fund established by the Agency to cover the costs of the move have fallen considerably short of the budget for the move arrived at in consultation between UNRWA and the Secretariat of the United Nations. While proceeding with the first phases of the move as funds have become available, the Commissioner-General has appealed to donors to help make up this shortfall.

IV. CONCLUDING REMARKS

15. The Working Group is concerned to note that UNRWA has been able to carry out its regular activities once again only by drawing on its working capital reserves in 1994 and that it expects to have a shortfall in its budget again in 1995. The Working Group is particularly concerned about the negative cumulative effect of austerity measures that the Agency has had to take, and to carry over from year to year, in order to reduce its chronic budget deficits.

16. The Working Group commends the Commissioner-General for his efforts at fund-raising, which include a tireless schedule of regular visits to donor countries, as well as informal meetings at Amman and Vienna with major donors and others to explain the Agency's programmes and to discuss its problems and prospects in the context of the evolving situation in the Near East. The Working Group particularly joins the Agency in expressing appreciation to donors, especially those that increased their contributions or expressed an interest in contributing for the first time. It notes in particular that the efforts of the Commissioner-General and his staff towards raising funds for PIP have succeeded in attracting financial support for UNRWA programmes and projects from some donors at levels surpassing those of their previous contributions to

UNRWA. The Working Group joins the Commissioner-General in expressing the hope that the example set by these donors will be followed by others.

17. The Working Group shares the Commissioner-General's concern that the activities forming the core of UNRWA services to Palestine refugees, namely, education, health care and relief and social services, are increasingly vulnerable owing to the Agency's chronic budget deficits. It is a source of great concern that the Agency has been unable to raise the funds needed to restore cuts and other austerity measures first enacted two years ago. As the Commissioner-General has pointed out, while every effort is being made to streamline and rationalize the Agency's operations to avoid a reduction in services to the refugees, cost-saving measures can only be taken so far. If funding shortfalls continue, the Agency will have no choice but to effect substantive reductions in its programme activities. The Working Group must point out once again how unfortunate it would be if the substantial social and economic benefits promised by programmes such as PIP should be undermined by the inability of the international community to provide the resources needed to preserve the Agency's regular services.

18. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 1996 and urges Governments:

(a) That have not yet contributed to UNRWA, to start to do so;

(b) That have so far made only relatively small contributions, to increase their contributions;

(c) That in the past have made generous contributions to UNRWA, to continue to do so and to strive to increase them;

(d) To consider making additional contributions in support of ongoing emergency-related and special programmes, present and future phases of the Peace Implementation Programme, the operating costs of the European Gaza Hospital and the special fund established to cover the cost of the relocation of the Agency's headquarters to the area of operations, without in any way decreasing or diverting funds from their contributions to the Agency's regular programmes;

(e) To consider making special additional contributions for construction and other projects, again without affecting their contributions to the regular programmes.

Notes

1/ Official Records of the General Assembly, Twenty-fifth Session, annexes, agenda item 35, document A/8264; ibid., Twenty-sixth Session, annexes, agenda item 38, document A/8476; ibid., Twenty-seventh Session, annexes, agenda item 40, document A/8849; ibid., Twenty-eighth Session, annexes, agenda item 43, document A/9231; ibid., Twenty-ninth Session, annexes, agenda item 38, document A/9815; ibid., Thirtieth Session, annexes, agenda item 54, documents A/10268 and A/10334; ibid., Thirty-first Session, annexes, agenda item 53, document

A/31/279; ibid., Thirty-second Session, annexes, agenda item 55, document A/32/278; ibid., Thirty-third Session, annexes, agenda item 54, document A/33/320; ibid., Thirty-fourth Session, annexes, agenda item 50, document A/34/567; A/35/526; A/36/615; A/37/591; A/38/558; A/39/575; A/40/736; A/41/702; A/42/633; A/43/702; A/44/641; A/45/645; A/46/622; A/47/576; and A/48/554.

2/ Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1976, 32/90 D of 13 December 1977, 33/112 D of 18 December 1978, 34/52 D of 23 November 1979, 35/13 D of 3 November 1980, 36/146 E of 16 December 1981, 37/120 A of 16 December 1982, 38/83 B of 15 December 1983, 39/99 B of 14 December 1984, 40/165 B of 16 December 1985, 41/69 B of 3 December 1986, 42/69 B of 2 December 1987, 43/57 B of 6 December 1988, 44/47 B of 8 December 1989, 45/73 B of 11 December 1990, 46/46 B of 9 December 1991, 47/69 B of 14 December 1992 and 48/40 B of 10 December 1993.